

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

STEADFAST INSURANCE COMPANY,

Plaintiff,

v.

VALLEY FORGE INSURANCE
COMPANY, *et al.*,

Defendants.

CASE NO. C04-2300RSM

ORDER GRANTING MOTION
FOR DISCHARGE OF
STAKEHOLDER IN
INTERPLEADER ACTION

I. INTRODUCTION

This matter comes before the Court on plaintiff's Motion for Discharge of Stakeholder in Interpleader Action. (Dkt. #102). Plaintiff argues that it properly filed an interpleader action, that it deposited the extent of its policy limit, \$1 million, with the Court, and is now properly dischargeable from this suit as a disinterested stakeholder.

Defendants Valley Forge Insurance Company and Transportation Insurance Company oppose the motion, arguing that plaintiff has come to this Court with "unclean hands," that plaintiff has not moved for summary judgment and cannot seek to be discharged from extra-contractual claims not pleaded in this action, and that defendants have pleaded a counterclaim under Washington law for prejudgment interest and that claim is not limited to plaintiff's policy

1 limits.

2 For the reasons set forth below, the Court disagrees with defendants and GRANTS
3 plaintiff's motion for discharge.

4 II. DISCUSSION

5 **A. Background**

6 On November 12, 2004, plaintiff filed the instant interpleader action. In its Complaint,
7 plaintiff stated that it had issued an insurance policy to defendant Wall Finishes, Inc., which
8 covered, *inter alia*, claims for property damage arising out of completed operations. (Dkt. #1 at
9 4). The aggregate limit applicable to indemnity payments and defense costs pertaining to such
10 property damage is \$1 million.

11 Plaintiff acknowledged that several of the named defendants made claims of property
12 damage against Wall Finishes arising from completed operations, and that defendants Valley
13 Forge Insurance Company and Transportation Insurance Company had also issued insurance
14 policies to Wall Finishes, Inc. Accordingly, plaintiff deposited its policy limit of \$1 million with
15 the Court, asked the Court to adjudicate the amount of money to which each defendant is
16 entitled, and asked that it be discharged from all liability to the extent that the Court awards each
17 defendant a portion of the deposited money.

18 Several of the originally-named defendants subsequently admitted that they did not have a
19 claim to the funds deposited by plaintiff and stipulated to dismissal from the case. Several other
20 named defendants failed to appear and default judgments were entered against them, which
21 precludes them from making a claim to the deposited funds. The remaining named defendants
22 assert claims which total in excess of the funds deposited in this Court.

23 Plaintiff now asks to be discharged from this action pursuant to 28 U.S.C. § 2361,
24 claiming no right to the deposited funds, and having no interest in which of the claimants has

1 priority in the funds. Of the remaining defendants, only Valley Forge Insurance Company and
2 Transportation Insurance Company oppose the motion.

3 **B. Interpleader Actions and “Unclean Hands”**

4 An interpleader action is a device which allows a stakeholder who is uncertain whether
5 and to whom he or she is liable to join those who might assert a claim against him or her in one
6 action, with such liability being determined by the Court. 7 Charles A. Wright, *et al.*, Fed. Prac.
7 & Proc. § 1702 (3d ed. 2001). Defendants do not argue that plaintiff does not meet the criteria
8 for bringing such interpleader action under 28 U.S.C. § 1335. Rather, defendants first argue
9 that plaintiff should not be discharged from this action because it comes to the Court with
10 “unclean hands.” (Dkt. #103 at 3-4). Defendants assert that plaintiff is not entitled to the
11 equitable remedy of an interpleader action because it “failed to pay anything or settle” several
12 lawsuits tendered against it by insureds it shared in common with defendants. (Dkt. #103 at 3-
13 4). The Court is not persuaded by defendants’ argument.

14 While defendants assert that “Steadfast failed to honor its contract with its insureds when
15 they tendered the defense of several lawsuits,” instead leaving defendants to spend over
16 \$3,500,000 million to settle and defend those suits, defendants produce no evidence in support of
17 their allegation. Defendants cite to no specific affidavits or exhibits in the factual record, or
18 otherwise raise any question of fact before this Court. Accordingly, the Court agrees with
19 plaintiff that defendants have failed to raise any facts that would preclude this interpleader action
20 or prevent the discharge of plaintiff. (*See* Dkt. #104 at 2).

21 **C. Discharge of Extra-Contractual Claims**

22 Defendants next argue that plaintiff should not be discharged because it has not moved for
23 summary judgment relating to the discharge of claims such as extra-contractual claims which
24 would not involve the interpleaded funds. (Dkt. #103 at 4). It is not clear to this Court why
25

1 defendants have presented this argument when no such extra-contractual claims have been
2 raised. In fact, defendants clarify in their own briefing that they have neither brought nor intend
3 to bring such claims against plaintiff. (Dkt. #103 at 4 n. 1). No other defendants in this suit
4 have raised such claims. Thus, it appears that defendants' argument is purely hypothetical, and
5 is irrelevant to the current action. Accordingly, the Court will not consider defendants'
6 arguments pertaining to extra-contractual claims.

7 **D. Claim for Prejudgment Interest**

8 Finally, defendants argue that plaintiff should not be discharged because they have
9 asserted a counterclaim for prejudgment interest, which is not limited by plaintiff's policy limit.
10 Defendants argue that once they made payments to defend and settle claims against the insureds
11 it shared in common with plaintiff, the payments became "liquidated," which entitles defendants
12 to recover prejudgment interest. (Dkt. #103 at 5). Plaintiff responds that defendants' claim
13 does not preclude discharge because an interpleading party bears no liability for interest on the
14 interpleaded fund after the date it is paid to the Court, defendants payments are not "liquidated"
15 as defendants assert, and defendants did not include prejudgment interest in the damages they
16 were required to identify in their initial disclosures under 26(a) of the Federal Rules of Civil
17 Procedure. (Dkt. #104 at 3-4).

18 The parties agree that under Washington law prejudgment interest is only allowable when
19 an amount claimed is liquidated. *Hansen v. Rothaus*, 107 Wn.2d 468, 472 (1986); *Prier v.*
20 *Refrigeration Eng'g Co.*, 74 Wn.2d 25, 442 P.2d 621 (1968). A "liquidated" claim is one
21 where "the evidence furnishes data which, if believed, makes it possible to compute the amount
22 with exactness, without reliance on opinion or discretion." *Prier*, 74 Wn.2d at 32 (citation
23 omitted). A dispute over the claim, "in whole or in part, does not change the character of a
24 liquidated claim to unliquidated." *Prier*, at 74 Wn.2d at 33 (citation omitted).

1 Plaintiff responds that it is unable to ascertain the amounts owed to each client, which is
2 exactly why it filed this interpleader action, and therefore, the claims at issue here are not
3 liquidated. For example, plaintiff notes that defendants may end up with nothing from the fund
4 on the basis that they are jointly and severally liable to the other defendants regardless of
5 whether plaintiff contributed to claims already paid. Plaintiff further notes that the whole of the
6 funds may go to defendants other than those opposing the instant motion, and that were not also
7 paid by the defendants opposing the instant motion, and therefore, defendants would not have a
8 viable claim against the fund. (Dkt. #104 at 4). The Court is persuaded by this reasoning that
9 defendants' claims are unliquidated. Because the Court agrees with plaintiff on that basis, it will
10 not address plaintiff's additional arguments pertaining to defendants' claim for prejudgment
11 interest. The Court finds that defendants' counterclaim for prejudgment interest does not
12 preclude discharge of plaintiff from this action.

13 **E. Discharge**

14 Federal courts are entitled to dismiss the stakeholder in an interpleader action from
15 liability. 28 U.S.C. § 2361; *Walker v. Pritzker*, 705 F.2d 942, 944 (7th Cir. 1983) (stating that
16 "federal interpleader contemplates that the stakeholder may be discharged from the litigation
17 once the fund is deposited with the court, leaving the adverse claimants to litigate their dispute
18 between themselves."). In the instant case, this Court has determined that plaintiff is entitled to
19 file an interpleader action, plaintiff has disclaimed any further interest in the proceeds, and
20 defendants have presented no material factual or legal controversy between themselves and
21 plaintiff. Accordingly, the Court finds that discharge is appropriate and grants plaintiff's motion.
22 *See GE Capital Assur. v. Van Norman*, 209 F. Supp.2d 668, 670 (S.D. Tex. 2002); *Equitable*
23 *Life Assurance Soc. v. Miller*, 229 F. Supp. 1018 (D. Minn. 1964) (finding that when
24 interpleader is proper discharge is justified); *Savannah Bank & Trust Co. v. Block*, 175 F. Supp.

798 (S.D. Ga. 1959).

III. CONCLUSION

Having reviewed plaintiff's Motion for Discharge of Stakeholder in Interpleader Action (Dkt. #102), defendants Valley Forge Insurance and Transportation Insurance Companies' opposition to the motion (Dkt. #103), plaintiff's reply (Dkt. #104), and the remainder of the record, the Court does hereby find and ORDER:

(1) Plaintiff's Motion for Discharge of Stakeholder in Interpleader Action (Dkt. #102) is GRANTED. Plaintiff is hereby fully discharged from this action with prejudice and without fees or costs.

(2) The Clerk is directed to forward a copy of this Order to all counsel of record.

DATED this 12th day of October, 2005.



RICARDO S. MARTINEZ
UNITED STATES DISTRICT JUDGE